A rather close student of Bentham and Cobden, Mr. Hobhouse looks out upon the twentieth century world through a prismatic glass which distorts his whole vision. After a brief outline of the ideals of the Cobdenites an energetic attack is made upon the foreign policy of England, showing that the general attitude of the people toward government is detrimental to the interests of advancing civilization, charging at the same time general intellectual decay. "The whole current of thought has joined that of class interest and the united stream sweeps onward in full flood to the destruction of the distinctive landmarks of modern civilized progress."

In the last chapter, Liberalism and Socialism, the author attempts to break away from his general morbidness, but the reader is even here destined to disappointment. Socialism is said to be based on the victories won by liberalism, but whether it is by approaching the realm of the Socialist we are to reach a "saner social value," or by some other means one is left in doubt. While well written, the book is full of expressions, which lead one to believe it the work of a disappointed politician, rather than that of a fair critic. Although the author shows clearly that there has been a great change in economic, social and political ideals since the days of Cobden, he nevertheless fails to prove beyond a reasonable doubt, his thesis, that English democracy is in the throes of reaction from democratic principles, and already upon the threshold of popular imperialism.

WARD W. PIERSON.

University of Pennsylvania.

Kinley, David. *Money: A Study of the Theory of the Medium of Exchange.* Price, $1.25. New York: The Macmillan Company, 1904.

Professor Kinley is one of the few American writers on the subject of money who have considered it necessary to familiarize themselves with the practical details of exchanging before addressing themselves to the discussion of the principles which underlie exchange transactions. There has been a surprising amount of unreality about recent discussions of the theory of money, and while the present volume is not wholly free from the prevailing infection, it is in some respects an improvement over much that has preceded.

In his general outline, Professor Kinley follows the conventional scheme. He begins with the social importance of money, then passes through a discussion of its evolution, considers the question of coinage and currency and its circulation, and of the services and nature of money. At this point, begins the author's own contribution to the subject. This is contained in the chapters on the Movement and Distribution of Metallic Money, The Static Distribution of the Precious Metals, The Value of Money, Stability of the Value of Money, Significance and Causes of Changes in the Value of Money, and Credit and Prices. Following these, there are several chapters on Measurement of Variations, Bimetallism, etc., in which accepted opinions are represented.

Professor Kinley's discussion of the distribution of the precious metals is disappointing. Most of the modern writers upon this subject have

attempted to prove the unreality of the famous law elaborated by Ricardo; to the effect that "Gold and silver are, by the competition of commerce, distributed in such proportions amongst the different countries of the world as to accommodate themselves to the natural traffic which would take place if no such metals existed, and if the trade between countries was purely a trade by barter." In illustrating the operation of this law, Ricardo assumes what was then and is now the fact, that an increase of imports into a country, if not immediately offset by an increase of exports, would result in an exportation of gold which would continue until the increase in the supply of gold used as money in the countries from which the nation in question derived its imports, and its own decrease in money supplies would equalize values in foreign trade.

Professor Kinley attempts to invalidate this proposition by the argument that an increase of imports results in an increase of exports. "As a matter of fact a larger volume of foreign goods offered for home products will draw out a larger quantity of these products in exchange. The home products will fall in price. The exchange will alter so that both countries will get some of the advantage arising from the lowered cost of the goods exported by A. The price level will fall to a point at which there will be new equilibrium of exchange between the imports and the home products. Meantime a larger amount of goods has been sent from B to A. The price level will fall there also, with the net result that there occurs a fall in the price level of both countries, such that their average prices bear to each other the same relation that existed before, without any movement of specie."

Professor Kinley's assumption in this argument that increasing imports tend of themselves to produce an increase of exports, is not borne out by any recorded facts of foreign trade. On the other hand, the experience of the United States in recent years is a conclusive refutation of his argument. It almost invariably happens that an increase in imports resulting as they usually do from high prices in the importing countries, produces a decrease of exports. The importing country, in other words, has become a good place to sell in, but a poor place to buy in. The result is, an export of specie until the equilibrium is restored. Professor Kinley attempts to further modify Ricardo's proposition by introducing the influence of credit, but as he himself shows in later chapters, the only service of credit is to increase the efficiency of a given quantity of money, to reduce, in other words, the amount of specie which must be moved out or into a country in order to produce a sufficient change in prices to equalibrate its international transactions.

It is unfortunate that American economists in writing upon this subject seem to forget that David Ricardo passed a long and successful business life in the minute observation and careful study of the International Exchanges, and that his conclusions were the results of personal observation. Ricardo discussed movements with which he was familiar, and whose nature has changed but little in the hundred years which have elapsed from that date. In most branches of economics, great advances have been made since Ricardo's time. In the science of International Exchange, however, latter day critics should continue to sit at the feet of their master.

Professor Kinley's discussion of the Changes in Value of Money, also leaves much to be desired. His studies of business phenomena have doubtless convinced him, as they have every intelligent observer, that falling prices are synonymous with industry depression and that prosperity always accompanies advancing prices. In view of this business axiom, we are surprised to see in Professor Kinley's work a recrudescence of the exploded theory that the workingman may be benefited by falling prices because the purchasing power of his wages may increase more rapidly than their amount declines. There are some fields in which the "crude guessing of unmethodized experience" which Cairnes held in such scorn, furnish a better guide than the ratiocinations of the deductive thinker. The recorded experience of the business world from the time when business began is that falling prices always go hand in hand with business depression. No amount of reasoning will alter this fact, the recognition of which lies at the basis of any useful theory of exchange.

When we arrive at Professor Kinley's discussion of Credit and Prices, the effects of the results of his well-known studies in Credit and Currency are at once manifest. We have here a working theory of credit, a theory, that is to say, whose understanding would be of service to the business man because it explains the facts of modern business. While Professor Kinley properly refuses to grant to credit supreme influence in the determination of prices, he recognizes its importance, and shows that an increase in the amount of deposit currency or other forms of credit, is certain to be followed by an increase in prices. Walter Bagehot, thirty years ago, laid down the proposition that a man borrows for one of two reasons, either to buy or to keep from selling, and in consequence, an increase of loans invariably results in either an increase of effective demand or a decrease in supply.

Professor Kinley fully recognizes this connection between credit and prices, and his discussion of the subject is one of the best which has appeared in recent years. The author's next book on "Credit and Banking" will be awaited with great interest. No one is better qualified to discuss this subject, and in its elaboration Professor Kinley will be unhampered by his devotion to the unrealities of politico-monetary science. The campaign of '96 has long since past into history, but its reverberations can still be heard in the discussions of monetary theory.

E. S. Meade.

University of Pennsylvania.

Macy, Jesse. *Party Organization and Machinery.* Pp. xvii, 299. Price, $1.25. New York: The Century Company, 1904.

Government is not simply what the constitution and the laws say it shall be, but what we, the people, make it in the ordinary course of things from day to day. Hence the increasing attention given in recent years to a consideration of the nature and functions of political parties in the actual conduct of government. Without definite and facile organs for the expression and realization of public opinion, organs that will bring governmental activi-